## Core Question 2: Is the organization in sound fiscal health?

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

### 2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?

| Indicator Targets | | |
|---|---|---|
| | Does not meet standard | The school does not meet standard on 2 or more of the five sub-indicators shown below. |
| | Approaching standard | The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator. |
| | Meets standard | The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator. |
| | Exceeds standard | The school meets standard for all 5 sub-indicators. |

| School Rating | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|---|---|---|---|---|---|---|---|
| | 2010-11 | 2011-12 | 2012-13 | **2013-14** | 2014-15 | 2015-16 | 2016-17 |
| | Not available | | AS | **DNMS** | | | |

| Sub-indicator Ratings | Sub-indicator | Sub-indicator targets | | Result | Rating |
|---|---|---|---|---|---|
| | Enrollment Ratio | DNMS | Enrollment ratio is less than or equal to 89% | 101% | MS |
| | | AS | Enrollment ratio is between 90 – 98% | | |
| | | MS | Enrollment ratio equals or exceeds 99% | | |
| | February Enrollment Variance | DNMS | Enrollment ratio is less than or equal to 89% | 94% | AS |
| | | AS | Enrollment ratio is between 90 – 95% | | |
| | | MS | Enrollment ratio equals or exceeds 95% | | |
| | Current Ratio | DNMS | Current ratio is less than or equal to 1.0 | 0.50 | DNMS |
| | | AS | Current ratio is between 1.0 – 1.1 | | |
| | | MS | Current ratio equals or exceeds 1.1 | | |
| | Days Cash on Hand | DNMS | Days cash on hand is less than or equal to 30 | 6 | DNMS |
| | | AS | Days cash on hand is between 30-45 | | |
| | | MS | Days cash on hand equals or exceeds 45 | | |
| | Debt Default | DNMS | Default or delinquent payments identified | Meets | MS |
| | | MS | Not in default or delinquent | | |

Indiana Math and Science Academy-North receives a rating of **did not meet standard** for Core Question 2.1 because it did not meet standard for two sub-indicators, met standard for two sub-indicators, and approached standard for another sub-indicator. At the September 2013 Count Day, the Indiana Department of Education (IDOE) indicated that school had 556 students enrolled. This is 101% of the 550 students that the school promised the community it would serve in its charter contract.
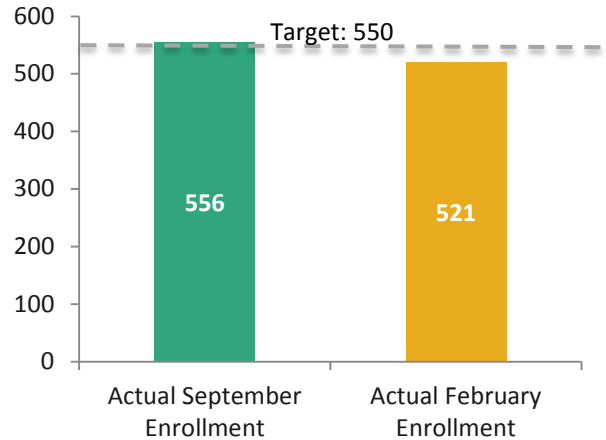
**Enrollment Variance Ratio**

The school **approached standard** for its Feburary Enrollment Variance. This sub-indicator is calculated by dividing the number of students enrolled in the school on the February 2014 Count Day conducted by the Indiana Department of Education divided by the number of students enrolled at the time of the September 2013 Count Day. IDOE indicated that the school had 521 students enrolled at the February Count Day. This represents 94% of the number of students enrolled at the time of the September Count Day.

With regard to its current ratio, the school **did not meet standard** meaning that it did not have current assets (cash or other assets that can be accessed in the next 12 months) that exceeded its current liabilities (debt obligations due in the next 12 months) by 10% or more.
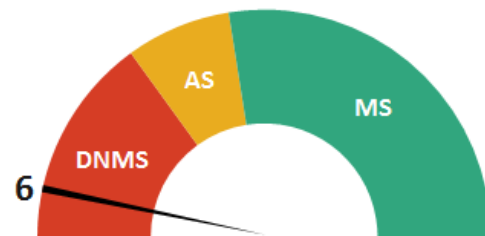
Additionally, the school ended the year with 6 days cash on hand and **did not meet standard** for this ratio. Days cash on hand is an important measure of a charter school's fiscal health because it indicates how many more days after June 30, 2014, the school would have been able to operate at its seem spending levels without receiving a tuition support payment from IDOE

**Days Cash on Hand**

Lastly, the school **met standard** for debt default. This metric is determined by both the auditors' comments in the audited financial statements and contact with the school's creditors. In the case of Indiana Math and Science Academy-North, neither its auditors nor its creditors provided any indication that the school had defaulted on its debt obligations

| 2.2. Long-term Health: Does the organization demonstrate long-term financial health? | | |
|---|---|---|
| **Indicator Targets** | Does not meet standard | The school does not meet standard on any of the 3 sub-indicators **OR** meets standard on 1 sub-indicator but does not meet standard on the remaining 2. |
| | Approaching standard | The school meets standard on 2 of the sub-indicators while not meeting on the third, **OR** approaches standard on all 3 sub-indicators. |
| | Meets standard | The school meets standard on 2 of the sub-indicators and approaches standard on the third. |
| | Exceeds standard | The school meets standard for all 3 sub-indicators. |

| School Rating | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|---|---|---|---|---|---|---|---|
| | 2010-11 | 2011-12 | 2012-13 | **2013-14** | 2014-15 | 2015-16 | 2016-17 |
| | Not available | | ES | AS | | | |

| Sub-indicator Ratings | Sub- | Sub-indicator targets | | Result | Rating |
|---|---|---|---|---|---|
| | Aggregate Three-Year Net Income | DNMS | Aggregate 3-year net income is negative. | -$385,453 (current year) | AS |
| | | AS | Aggregate 3-year net income is positive, but most recent year is negative. | | |
| | | MS | Aggregate three year net income is positive, and most recent year is positive. | $101,652 | |
| | Debt to Asset Ratio | DNMS | Debt to Asset ratio equals or exceeds .95 | 0.64 | MS |
| | | AS | Debt to Asset ratio is between .9 - .95 | | |
| | | MS | Debt to Asset ratio is less than or equal to .9 | | |
| | Debt Service Coverage (DSC) Ratio | DNMS | DSC ratio is less than or equal to 1.05 | -19.00 | DNMS |
| | | AS | DSC ratio is between 1.05-1.2 | | |
| | | MS | DSC ratio equals or exceeds 1.2 | | |

The school received a rating of **approaching standard** for Core Question 2.2. The school **approached standard** for the net income sub-indicator. It had a current year net income of **-$385,453** and an aggregate three year net income of **$101, 652.**

The school **met standard** for the debt to asset ratio sub-indicator. The school had a ratio of 0.64 meaning that it had significantly fewer debts than it had assets for the 2013-14 fiscal year.

Lastly, the school **did not meet standard** for debt service coverage (DSC). It had a debt service coverage ratio of -19.00 because it generated a negative net income in the 2013-14 fiscal year that was insufficient to meet the requirements of its debt payable for the 2014-15 school year. The school's debt for the 2014-15 school year is comprised of a capital lease of $9.228 that is payable by June 30, 2015. Though the school ended the year with a negative net income, it did budget to continue making payments on the debt in 2014-15.

Given that Indiana Math and Science Academy-North received a rating of approaching standard for one sub-indicator, meets standard for another sub-indicator, and does not meet standard for the final sub-indicator, it receives a rating of **approaching standard** for Core Question 2.2.

**Three-Year Net Income**
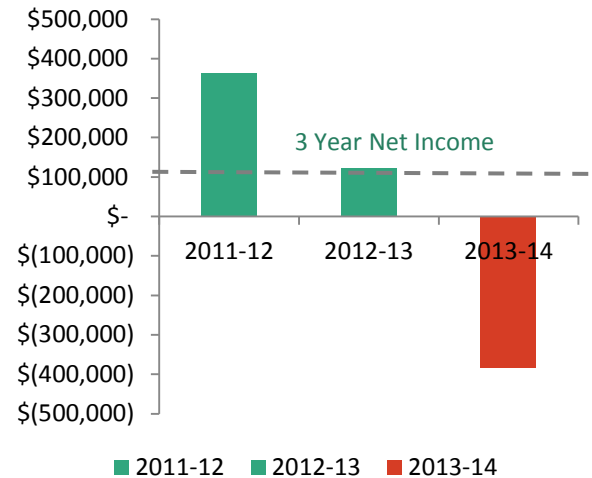


| 2.3. Does the organization demonstrate it has adequate financial management and systems? | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Indicator Targets** | Does not meet standard | The school does not meet standard on 1 of the sub-indicators. | | | | | |
| | Approaching standard | The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator. | | | | | |
| | Meets standard | The school meets standard on both sub-indicators. | | | | | |
| **School Rating** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 6** | **Year 7** |
| | 2010-11 | 2011-12 | 2012-13 | **2013-14** | 2014-15 | 2015-16 | 2016-17 |
| | Not available | | MS | MS | | | |
| **Sub-indicator Ratings** | Sub-indicator | Sub-indicator targets | | | | | Rating |
| | Financial Audit | DNMS | The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern. | | | | MS |
| | | AS | The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses. | | | | |
| | | MS | The school receives a clean audit opinion. | | | | |
| | Financial Reporting Requirements | DNMS | The school fails to satisfy financial reporting requirements. | | | | MS |
| | | MS | The school satisfies all financial reporting requirements. | | | | |

Indiana Math and Science Academy-North received a rating of **meets standard** for Core Question 2.3 for the 2013-2014 school year.   The school received a clean audit from Fitzgerald Issac that contained no significant deficiencies or material weaknesses. Though the school's audit contained no material weaknesses or significant deficiencies, the school's State Board of Accounts (SBOA)  did contain two findings.  It should be noted that these findings do not materially impact the school's financial statements.

The findings can be summarized below:
1)   The school's surety bond only covered its Treasurer.  It did not cover all of thw employees who handle money
2)   Funds were not consistently deposited in the SBOA-mandated 24 hour time frame

The school has responded to the findings in the following way:
1)   The school has updated its bond to ensure that all employees handling money are covered
2)   The school promises to deposit all funds in a timely manner moving forward

The school required constant reminders for the timely submission of its quarterly financial statements.  So, it is with reservations that the school received a rating of **meets standard** for its financial reporting requirements for timely submission of quarterly financial statements.  The initial draft of its audit was submitted on November 21, 2014.

For these reasons, the school **met standard** for Core Question 2.3 for the 2013-2014 school year.